



**MARION COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-43
June 1, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2004

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Marion, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Marion County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county charged the Emergency Management Performance Grant for equipment hours that were not used and for three and one-half hours for one employee on a day he was not working, resulting in questioned costs of \$1,739.
- The annual budgets overestimated disbursements for various county funds and formal budgets were not prepared for some county funds. A written request for budgets was prepared by the County Clerk's office and transmitted to all county officials; however, some officials chose not to submit budgets in accordance with the request. In addition the county's annual published financial statement did not include the financial activity for some county funds.
- The county does not adequately track or report the federal assistance on the schedule of expenditures of federal awards (SEFA).
- Timecards are not always signed by employees or their supervisors, timesheets for Sheriff's department employees are not submitted to the County Clerk, and compensatory time is accumulated at time and one half when 40 hours were not worked during the week.
- The Sheriff's Jail Inmate Fund is not reconciled to the individual inmate account balances and commissary profits, and inventory records of commissary items are not maintained. The Sheriff's Department does not issue receipt

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slips for some monies received, indicate the method of payment on some receipt slips, or maintain the petty cash fund on an imprest basis.

- The Associate Circuit Division – Division II (Hannibal) does not transmit/deposit garnishment and civil receipts intact on a timely basis and the method of payment is not always indicated on their receipt slips. In addition, the Associate Division has not established procedures to routinely follow up on outstanding checks.
- The Associate Circuit Division's – Division I (Palmyra) balance in the bond account included cash bond receipts totaling more than \$7,700 which have been held in excess of one year. In addition, receipts were not deposited on a timely basis, the method of payment was not always indicated on their receipt slips, and checks and money orders received were not restrictively endorsed immediately upon receipt.
- The Circuit Clerk – Division II (Hannibal) does not have adequate procedures to monitor and ensure monies in her various bank accounts are sufficiently collateralized. In addition, listings of liabilities (open items) were not prepared for the fee account and the Circuit Clerk has not established procedures to routinely follow up on outstanding checks.
- Actual disbursements exceeded the budgeted amounts in the Health Center Fund and the county's annual published financial statements did not include the financial activity for the Health Center. In addition, the Health Center does not have a formal emergency contingency plan for the computer systems, and has not formally negotiated arrangements for backup facilities in the event of a disaster.
- The E-911 Board has not established procedures to routinely follow up on outstanding checks and has no formal policies and procedures for general fixed assets. In addition, credit card receipts are not reconciled to the monthly credit card bill, and the Board awarded some employee bonuses. Also, the E-911 Board did not publish annual financial statements.

Also included in the audit are recommendations related to vehicle logs, and computer controls. The audit also suggests improvements to the procedures of the Assessor, the Sheriff, the Prosecuting Attorney, the Circuit Clerk – Division I (Palmyra), the County Clerk, the Collector, the Probate Division – District II (Hannibal), the Probate Division – District I (Palmyra), the Highway Department, and the Ex-Officio Recorder.

All reports are available on our website: www.auditor.mo.gov

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Marion County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 21, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Marion County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.



Claire McCaskill
State Auditor

July 21, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Debra S. Lewis, CPA
Audit Staff: Monique Williams, CPA
Carl E. Zilch, Jr.



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Marion County, Missouri

We have audited the financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Marion County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Marion County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

July 21, 2003 (fieldwork completion date)

Financial Statements

Exhibit A

MARION COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 191,884	3,578,679	3,351,598	418,965
Special Road and Bridge	53,294	1,492,226	1,409,683	135,837
Assessment	39,139	239,403	278,212	330
Law Enforcement Training	9,296	8,356	10,394	7,258
Prosecuting Attorney Training	679	1,349	1,764	264
Prosecuting Attorney Delinquent Tax	8,341	7,586	10,700	5,227
Capital Improvements	200,309	1,625,052	935,411	889,950
Veterans Road	1,620,037	697,068	658,118	1,658,987
Recorders Preservation	40,780	16,893	1,147	56,526
Drug Enforcement	228	8,559	8,559	228
L.E.P.C.	27,246	11,012	3,478	34,780
Election Services	3,920	2,733	4,096	2,557
Recorders Technology	3,288	7,568	1,138	9,718
Sheriff's Civil Fees	0	30,186	5,030	25,156
Health Center	689,162	1,572,948	1,523,301	738,809
Emergency Telephone Service (E-911)	268,667	487,972	465,066	291,573
Circuit Clerk - District I Interest	17,237	1,219	17	18,439
Circuit Clerk - District II Interest	41,582	2,614	2,421	41,775
Associate Circuit Division - District I Interest	2,917	942	0	3,859
Associate Circuit Division - District II Interest	4,589	522	15	5,096
Probate Division - District II Interest	1,597	15	169	1,443
Law Library	1,831	6,688	8,351	168
Juvenile Justice Center	3,586	143,741	133,611	13,716
Domestic Violence	1	2,961	1,153	1,809
Sheriff's Jail Inmate	2,117	11,331	11,273	2,175
Total	\$ 3,231,727	9,957,623	8,824,705	4,364,645

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

MARION COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 668,646	2,996,108	3,472,870	191,884
Special Road and Bridge	106,572	1,321,599	1,374,877	53,294
Assessment	7,141	297,201	265,203	39,139
Law Enforcement Training	14,507	9,441	14,652	9,296
Prosecuting Attorney Training	1,093	1,540	1,954	679
Prosecuting Attorney Delinquent Tax	15,766	7,581	15,006	8,341
Capital Improvements	403,534	1,497,291	1,700,516	200,309
Veterans Road	1,063,741	738,005	181,709	1,620,037
Recorders Preservation	42,333	12,958	14,511	40,780
Drug Enforcement	228	7,954	7,954	228
L.E.P.C.	17,842	13,576	4,172	27,246
Election Services	2,237	6,475	4,792	3,920
Local Records Preservation Grant	0	26,155	26,155	0
Recorders Technology	0	3,288	0	3,288
Health Center	414,979	1,453,183	1,179,000	689,162
Emergency Telephone Service (E-911)	277,364	434,495	443,192	268,667
Circuit Clerk - District I Interest	19,356	1,112	3,231	17,237
Circuit Clerk - District II Interest	36,088	16,882	11,388	41,582
Associate Circuit Division - District I Interest	3,612	672	1,367	2,917
Associate Circuit Division - District II Interest	3,802	1,047	260	4,589
Probate Division - District II Interest	1,552	45	0	1,597
Law Library	478	11,506	10,153	1,831
Juvenile Justice Center	4,987	135,637	137,038	3,586
Domestic Violence	1	2,155	2,155	1
Sheriff's Jail Inmate	0	5,305	3,188	2,117
Total	\$ 3,105,859	9,001,211	8,875,343	3,231,727

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

MARION COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 9,514,894	9,761,237	246,343	9,188,519	8,823,563	(364,956)
DISBURSEMENTS	11,564,743	8,665,103	2,899,640	12,089,859	8,706,563	3,383,296
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,049,849)	1,096,134	3,145,983	(2,901,340)	117,000	3,018,340
CASH, JANUARY 1	3,215,090	3,215,090	0	3,035,983	3,035,983	0
CASH, DECEMBER 31	1,165,241	4,311,224	3,145,983	134,643	3,152,983	3,018,340
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	100,000	86,595	(13,405)	65,000	75,740	10,740
Sales taxes	1,440,000	1,498,001	58,001	1,480,000	1,440,485	(39,515)
Intergovernmental	529,700	998,063	468,363	896,000	544,398	(351,602)
Charges for service:	629,417	659,513	30,096	658,500	612,587	(45,913)
Interest	16,000	8,107	(7,893)	35,000	16,778	(18,222)
Other	88,451	104,020	15,569	135,901	110,716	(25,185)
Transfers in	464,680	224,380	(240,300)	0	195,404	195,404
Total Receipts	3,268,248	3,578,679	310,431	3,270,401	2,996,108	(274,293)
DISBURSEMENTS						
County Commissioner	123,869	120,607	3,262	119,000	118,066	934
County Clerk	167,860	166,241	1,619	171,530	165,437	6,093
Elections	124,985	108,329	16,656	152,500	78,586	73,914
Buildings and grounds	139,481	129,578	9,903	240,000	142,566	97,434
Employee fringe benefit	9,500	9,415	85	8,850	9,523	(673)
County Treasurer	45,327	44,323	1,004	43,700	42,361	1,339
County Collector	178,487	173,055	5,432	183,000	178,607	4,393
Ex Officio Recorder of Deed	83,150	79,721	3,429	100,500	88,324	12,176
Circuit Clerk	13,000	9,128	3,872	25,000	21,520	3,480
Associate Circuit Court	7,706	4,397	3,309	10,800	7,659	3,141
Associate Circuit (Probate)	53,956	48,455	5,501	54,000	51,920	2,080
Court administration	29,780	20,913	8,867	39,482	19,009	20,473
Public Administrator	117,353	114,552	2,801	126,162	130,550	(4,388)
Sheriff	424,876	432,035	(7,159)	500,829	442,173	58,656
Jail	1,162,653	1,187,483	(24,830)	1,199,171	1,205,337	(6,166)
Prosecuting Attorney	263,971	261,528	2,443	266,700	261,591	5,109
Juvenile Offices	148,659	116,021	32,638	148,932	74,012	74,920
County Coroner	38,837	35,077	3,760	41,000	35,691	5,309
Planning and Zoning	10,115	8,404	1,711	12,569	8,694	3,875
Child Support Enforcemen	64,994	64,408	586	64,500	63,914	586
Postage	45,000	52,742	(7,742)	55,000	44,344	10,656
Community assistance contract	83,096	90,852	(7,756)	94,385	80,996	13,389
Computer equipment and supplies	10,000	2,359	7,641	35,000	64,012	(29,012)
Public health and welfare service	4,150	3,878	272	4,150	4,021	129
Other general county government	40,534	59,538	(19,004)	81,150	41,003	40,147
Transfers out	10,500	8,559	1,941	34,000	92,954	(58,954)
Emergency Fund	98,047	0	98,047	100,000	0	100,000
Total Disbursements	3,499,886	3,351,598	148,288	3,911,910	3,472,870	439,040
RECEIPTS OVER (UNDER) DISBURSEMENTS	(231,638)	227,081	458,719	(641,509)	(476,762)	164,747
CASH, JANUARY 1	191,884	191,884	0	668,646	668,646	0
CASH, DECEMBER 31	(39,754)	418,965	458,719	27,137	191,884	164,747

Exhibit B

MARION COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	800,000	821,263	21,263	765,000	737,598	(27,402)
Intergovernmental	538,500	643,560	105,060	558,000	536,469	(21,531)
Interest	13,000	4,613	(8,387)	19,000	13,992	(5,008)
Other	17,500	12,858	(4,642)	10,500	33,540	23,040
Transfers in	0	9,932	9,932	0	0	0
Total Receipts	1,369,000	1,492,226	123,226	1,352,500	1,321,599	(30,901)
DISBURSEMENTS						
Salaries	585,039	587,525	(2,486)	558,089	555,221	2,868
Employee fringe benefit	230,369	221,771	8,598	193,831	192,979	852
Supplies	113,900	90,385	23,515	111,400	99,940	11,460
Insurance	40,290	35,651	4,639	28,141	30,914	(2,773)
Road and bridge materials	233,000	38,000	195,000	234,000	22,978	211,022
Equipment repairs	175,000	51,516	123,484	195,000	53,964	141,036
Rentals	2,000	14	1,986	4,500	0	4,500
Equipment purchases	275,000	129,958	145,042	595,500	332,756	262,744
Construction, repair, and maintenance	1,000	332	668	1,500	185	1,315
Other	75,030	30,151	44,879	78,039	47,506	30,533
Transfers out	224,380	224,380	0	0	38,434	(38,434)
Total Disbursements	1,955,008	1,409,683	545,325	2,000,000	1,374,877	625,123
RECEIPTS OVER (UNDER) DISBURSEMENTS	(586,008)	82,543	668,551	(647,500)	(53,278)	594,222
CASH, JANUARY 1	53,294	53,294	0	106,572	106,572	0
CASH, DECEMBER 31	(532,714)	135,837	668,551	(540,928)	53,294	594,222
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	233,400	236,190	2,790	233,000	233,703	703
Interest	1,700	1,108	(592)	5,000	2,738	(2,262)
Other	800	2,105	1,305	1,000	760	(240)
Transfers in	0	0	0	0	60,000	60,000
Total Receipts	235,900	239,403	3,503	239,000	297,201	58,201
DISBURSEMENTS						
Assessor	273,364	278,212	(4,848)	281,000	265,203	15,797
Total Disbursements	273,364	278,212	(4,848)	281,000	265,203	15,797
RECEIPTS OVER (UNDER) DISBURSEMENTS	(37,464)	(38,809)	(1,345)	(42,000)	31,998	73,998
CASH, JANUARY 1	39,139	39,139	0	7,141	7,141	0
CASH, DECEMBER 31	1,675	330	(1,345)	(34,859)	39,139	73,998

Exhibit B

MARION COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	9,400	8,356	(1,044)	10,000	9,441	(559)
Total Receipts	9,400	8,356	(1,044)	10,000	9,441	(559)
DISBURSEMENTS						
Sheriff	15,000	10,394	4,606	23,000	14,652	8,348
Total Disbursements	15,000	10,394	4,606	23,000	14,652	8,348
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,600)	(2,038)	3,562	(13,000)	(5,211)	7,789
CASH, JANUARY 1	9,296	9,296	0	14,507	14,507	0
CASH, DECEMBER 31	3,696	7,258	3,562	1,507	9,296	7,789
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	1,600	1,349	(251)	1,750	1,540	(210)
Total Receipts	1,600	1,349	(251)	1,750	1,540	(210)
DISBURSEMENTS						
Prosecuting Attorney	2,000	1,764	236	2,000	1,954	46
Total Disbursements	2,000	1,764	236	2,000	1,954	46
RECEIPTS OVER (UNDER) DISBURSEMENTS	(400)	(415)	(15)	(250)	(414)	(164)
CASH, JANUARY 1	679	679	0	1,093	1,093	0
CASH, DECEMBER 31	279	264	(15)	843	679	(164)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Charges for service:	800	865	65	2,000	675	(1,325)
Transfer in	7,200	6,721	(479)	8,000	6,906	(1,094)
Total Receipts	8,000	7,586	(414)	10,000	7,581	(2,419)
DISBURSEMENTS						
Rent	3,600	3,600	0	3,600	3,600	0
Prosecuting Attorney	9,000	7,100	1,900	21,400	11,406	9,994
Total Disbursements	12,600	10,700	1,900	25,000	15,006	9,994
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,600)	(3,114)	1,486	(15,000)	(7,425)	7,575
CASH, JANUARY 1	8,341	8,341	0	15,766	15,766	0
CASH, DECEMBER 31	3,741	5,227	1,486	766	8,341	7,575

Exhibit B

MARION COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CAPITAL IMPROVEMENTS FUND</u>						
RECEIPTS						
Sales taxes	1,440,000	1,497,940	57,940	1,480,000	1,442,535	(37,465)
Intergovernmental	500,000	39,044	(460,956)	377,500	43,133	(334,367)
Interest	11,000	8,668	(2,332)	11,000	11,623	623
Other	500	9,576	9,076	1,000	0	(1,000)
Transfers in	69,824	69,824	0	0	0	0
Total Receipts	2,021,324	1,625,052	(396,272)	1,869,500	1,497,291	(372,209)
DISBURSEMENTS						
Salaries	63,034	52,360	10,674	68,010	62,443	5,567
Office expenditures:	38,706	24,264	14,442	41,851	28,876	12,975
Equipment	2,000	0	2,000	2,000	125	1,875
Mileage and training	4,000	2,777	1,223	6,000	1,969	4,031
Roads and bridges	890,000	301,413	588,587	1,045,000	466,693	578,307
Buildings	24,000	3,208	20,792	564,000	609,183	(45,183)
Jail bond payment	470,000	536,086	(66,086)	540,000	410,365	129,635
Other	4,000	5,371	(1,371)	4,140	458	3,682
Transfers out	240,300	9,932	230,368	0	120,404	(120,404)
Total Disbursements	1,736,040	935,411	800,629	2,271,001	1,700,516	570,485
RECEIPTS OVER (UNDER) DISBURSEMENTS	285,284	689,641	404,357	(401,501)	(203,225)	198,276
CASH, JANUARY 1	200,309	200,309	0	403,534	403,534	0
CASH, DECEMBER 31	485,593	889,950	404,357	2,033	200,309	198,276
<u>VETERANS ROAD FUND</u>						
RECEIPTS						
Sales taxes	555,500	683,619	128,119	740,000	721,173	(18,827)
Interest	10,000	13,449	3,449	15,000	16,832	1,832
Total Receipts	565,500	697,068	131,568	755,000	738,005	(16,995)
DISBURSEMENTS						
Engineering	20,000	3,396	16,604	80,000	100,759	(20,759)
Acquisitions	0	0	0	18,000	41,764	(23,764)
Construction	1,850,000	584,784	1,265,216	1,712,000	170	1,711,830
Legal services	3,000	0	3,000	5,000	2,111	2,889
Other	2,000	114	1,886	2,000	339	1,661
Transfers out	69,824	69,824	0	0	36,566	(36,566)
Total Disbursements	1,944,824	658,118	1,286,706	1,817,000	181,709	1,635,291
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,379,324)	38,950	1,418,274	(1,062,000)	556,296	1,618,296
CASH, JANUARY 1	1,620,037	1,620,037	0	1,063,741	1,063,741	0
CASH, DECEMBER 31	240,713	1,658,987	1,418,274	1,741	1,620,037	1,618,296

Exhibit B

MARION COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDERS PRESERVATION FUND</u>						
RECEIPTS						
Interest	0	795	795	2,000	1,424	(576)
Charges for services	12,000	16,098	4,098	10,000	11,534	1,534
Total Receipts	12,000	16,893	4,893	12,000	12,958	958
DISBURSEMENTS						
Ex-Officio Recorder	52,000	1,147	50,853	54,333	14,511	39,822
Total Disbursements	52,000	1,147	50,853	54,333	14,511	39,822
RECEIPTS OVER (UNDER) DISBURSEMENTS	(40,000)	15,746	55,746	(42,333)	(1,553)	40,780
CASH, JANUARY 1	40,780	40,780	0	42,333	42,333	0
CASH, DECEMBER 31	780	56,526	55,746	0	40,780	40,780
<u>DRUG ENFORCEMENT FUND</u>						
RECEIPTS						
Other	0	0	0	200	0	(200)
Transfers in	9,000	8,559	(441)	9,000	7,954	(1,046)
Total Receipts	9,000	8,559	(441)	9,200	7,954	(1,246)
DISBURSEMENTS						
Drug task force	9,000	8,559	441	9,000	7,954	1,046
Total Disbursements	9,000	8,559	441	9,000	7,954	1,046
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	200	0	(200)
CASH, JANUARY 1	228	228	0	228	228	0
CASH, DECEMBER 31	228	228	0	428	228	(200)
<u>L.E.P.C. FUND</u>						
RECEIPTS						
Intergovernmental	7,000	11,012	4,012	3,150	12,133	8,983
Other	0	0	0	0	1,444	1,444
Total Receipts	7,000	11,012	4,012	3,150	13,577	10,427
DISBURSEMENTS						
Office supplies	5,000	0	5,000	5,000	124	4,876
Equipment purchase	6,000	295	5,705	6,000	0	6,000
Training	6,000	2,723	3,277	6,000	2,942	3,058
Mileage and registration	3,900	460	3,440	3,900	1,106	2,794
Total Disbursements	20,900	3,478	17,422	20,900	4,172	16,728
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,900)	7,534	21,434	(17,750)	9,405	27,155
CASH, JANUARY 1	27,247	27,247	0	17,842	17,842	0
CASH, DECEMBER 31	13,347	34,781	21,434	92	27,247	27,155

Exhibit B

MARION COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	3,800	2,733	(1,067)	2,700	6,475	3,775
Total Receipts	3,800	2,733	(1,067)	2,700	6,475	3,775
DISBURSEMENTS						
Election services	5,500	4,096	1,404	4,700	4,792	(92)
Total Disbursements	5,500	4,096	1,404	4,700	4,792	(92)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,700)	(1,363)	337	(2,000)	1,683	3,683
CASH, JANUARY 1	3,920	3,920	0	2,237	2,237	0
CASH, DECEMBER 31	2,220	2,557	337	237	3,920	3,683
<u>LOCAL RECORDS PRESERVATION GRANT FUND</u>						
RECEIPTS						
Intergovernmental				26,885	25,704	(1,181)
Interest				500	451	(49)
Total Receipts				27,385	26,155	(1,230)
DISBURSEMENTS						
Ex-Officio Recorder				27,385	26,155	1,230
Total Disbursements				27,385	26,155	1,230
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	0	0
CASH, JANUARY 1				0	0	0
CASH, DECEMBER 31				0	0	0
<u>RECORDERS TECHNOLOGY FUND</u>						
RECEIPTS						
Interest	0	104	104			
Other	7,500	7,464	(36)			
Total Receipts	7,500	7,568	68			
DISBURSEMENTS						
Ex-Officio Recorder	10,000	1,138	8,862			
Total Disbursements	10,000	1,138	8,862			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	6,430	8,930			
CASH, JANUARY 1	3,288	3,288	0			
CASH, DECEMBER 31	788	9,718	8,930			

Exhibit B

MARION COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
HEALTH CENTER FUND						
RECEIPTS						
Property taxes	362,561	391,182	28,621	342,561	364,658	22,097
Intergovernmental	314,840	326,537	11,697	223,494	284,235	60,741
Charges for Services:	826,600	834,393	7,793	596,750	784,455	187,705
Interest	15,000	12,395	(2,605)	10,000	16,038	6,038
Other	3,000	8,441	5,441	5,000	3,797	(1,203)
Total Receipts	1,522,001	1,572,948	50,947	1,177,805	1,453,183	275,378
DISBURSEMENTS						
Salaries	648,472	654,983	(6,511)	637,824	630,745	7,079
Fringe benefits	156,526	142,373	14,153	164,982	139,002	25,980
Office expense:	81,100	73,956	7,144	68,900	63,077	5,823
Equipment purchases and repair:	53,771	64,848	(11,077)	22,000	35,595	(13,595)
Mileage	42,000	39,680	2,320	41,000	39,492	1,508
Contracted services:	84,400	76,726	7,674	52,400	58,538	(6,138)
Building payments	340,347	350,500	(10,153)	113,314	103,074	10,240
Medical supplies	42,000	43,687	(1,687)	40,000	35,716	4,284
Insurance	24,100	23,814	286	24,100	20,697	3,403
Other	49,285	52,734	(3,449)	13,285	53,064	(39,779)
Total Disbursements	1,522,001	1,523,301	(1,300)	1,177,805	1,179,000	(1,195)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	49,647	49,647	0	274,183	274,183
CASH, JANUARY 1	689,162	689,162	0	414,979	414,979	0
CASH, DECEMBER 31	689,162	738,809	49,647	414,979	689,162	274,183
EMERGENCY TELEPHONE SERVICE (E-911) FUND						
RECEIPTS						
Intergovernmental	123,202	98,441	(24,761)	97,628	121,568	23,940
Charges for service:	326,919	383,596	56,677	316,500	277,561	(38,939)
Interest	7,000	5,716	(1,284)	9,000	10,366	1,366
Other	0	219	219	0	0	0
Transfers in	0	0	0	25,000	25,000	0
Total Receipts	457,121	487,972	30,851	448,128	434,495	(13,633)
DISBURSEMENTS						
Salaries and employee benefit	362,320	334,400	27,920	320,300	331,257	(10,957)
Insurance	2,350	1,293	1,057	2,500	2,315	185
Equipment and maintenance agreement	49,850	48,591	1,259	61,225	21,990	39,235
Professional service:	4,800	4,701	99	5,200	5,000	200
Office expenditures:	5,515	2,526	2,989	3,700	5,894	(2,194)
Mileage and training	10,000	4,335	5,665	5,000	11,639	(6,639)
Advertising	500	615	(115)	1,000	176	824
Telephone expenditures:	62,335	68,216	(5,881)	65,000	62,203	2,797
Other	950	389	561	900	2,718	(1,818)
Total Disbursements	498,620	465,066	33,554	464,825	443,192	21,633
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,499)	22,906	64,405	(16,697)	(8,697)	8,000
CASH, JANUARY 1	268,667	268,667	0	277,364	277,364	0
CASH, DECEMBER 31	227,168	291,573	64,405	260,667	268,667	8,000

Exhibit B

MARION COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT CLERK - DISTRICT I INTEREST FUND</u>						
RECEIPTS						
Interest	500	1,219	719			
Total Receipts	500	1,219	719			
DISBURSEMENTS						
Equipment and training	0	17	(17)			
Total Disbursements	0	17	(17)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,202	702			
CASH, JANUARY 1	17,237	17,237	0			
CASH, DECEMBER 31	17,737	18,439	702			
<u>CIRCUIT CLERK - DISTRICT II INTEREST FUND</u>						
RECEIPTS						
Interest	17,000	2,614	(14,386)			
Total Receipts	17,000	2,614	(14,386)			
DISBURSEMENTS						
Courtroom equipment and supplies	8,000	2,421	5,579			
Total Disbursements	8,000	2,421	5,579			
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,000	193	(8,807)			
CASH, JANUARY 1	41,582	41,582	0			
CASH, DECEMBER 31	\$ 50,582	41,775	(8,807)			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

MARION COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Marion County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, or the Emergency Telephone Service (E-911) Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Recorders Technology Fund	2001
Sheriff's Civil Fees Fund	2002
Circuit Clerk - District I Interest Fund	2001
Circuit Clerk - District II Interest Fund	2001
Associate Circuit Division - District I Interest Fund	2002 and 2001
Associate Circuit Division - District II Interest Fund	2002 and 2001
Probate Division - District II Interest Fund	2002 and 2001
Law Library Fund	2002 and 2001
Juvenile Justice Center Fund	2001
Domestic Violence Fund	2002 and 2001
Sheriff's Jail Inmate Fund	2002 and 2001

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Assessment Fund	2002
Election Services Fund	2001
Health Center Fund	2002 and 2001
Circuit Clerk - District I Interest Fund	2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Deficit budget balances are presented for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
General Revenue Fund	2002
Special Road and Bridge Fund	2002 and 2001

However, the budgets of those funds also included other resources available to finance current or future year disbursements. Generally, other available net resources represented current year property taxes not received before December 31. Such resources were sufficient to offset the deficit budget balances presented.

The January 1, 2001 Assessment fund balance includes a negative \$74,473 balance the county was presenting for the Re-Assessment fund. A transfer was made from the Assessment fund to the Re-Assessment fund in 2001 to close the Re-Assessment

fund. The combined balances of the Assessment and Re-Assessment funds presents a deficit budget balance that was not presented in the county budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Health Center Fund	2002 and 2001
Emergency Telephone Service (E-911) Fund	2002 and 2001
Circuit Clerk - District I Interest Fund	2002 and 2001
Circuit Clerk - District II Interest Fund	2002 and 2001
Associate Circuit Division - District I Interest Fund	2002 and 2001
Associate Circuit Division - District II Interest Fund	2002 and 2001
Probate Division - District II Interest Fund	2002 and 2001
Law Library Fund	2002 and 2001
Juvenile Justice Center Fund	2002 and 2001
Sheriff's Jail Inmate Fund	2002 and 2001

In addition, for the Emergency Telephone Service (E-911) Fund, the county's published financial statements for the years ended December 31, 2002 and 2001, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase

agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name.

Of the Health Center's bank balance at December 31, 2002, \$300,000 was covered by federal depository insurance or by collateral securities held by the board's custodial bank in the board's name, and \$513,053 was covered by collateral securities held by the pledging bank's agent but not in the board's name.

Of the Health Center's bank balance at December 31, 2001, \$100,000 was covered by federal depository insurance, and \$652,977 was covered by collateral securities held by the pledging bank's agent but not in the board's name.

Of the Emergency Telephone Service's bank balance at December 31, 2002, \$169,543 was covered by federal depository insurance, and \$133,148 was covered by collateral securities held by the pledging bank's agent but not in the board's name.

Of the Emergency Telephone Service's bank balance at December 31, 2001, \$167,586 was covered by federal depository insurance, and \$107,994 was covered by collateral securities held by the pledging bank's agent but not in the board's name.

Supplementary Schedule

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
U.S. OFFICE OF NATIONAL DRUG CONTROL POLICY				
Passed through state Department of Public Safety				
07.unknown	High Intensity Drug Trafficking Area	97-HIDTA-552-03	\$ 40,385	44,207
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Social Services -				
10.550	Food Donation	IN-064-014	4,544	2,324
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-3164W	113,452	77,978
10.559	Summer Food Service Program for Children	ERS146-0164I	240	360
		N/A	1,884	1,465
	Program Total		<u>2,124</u>	<u>1,825</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state Department of Social Services				
14.231	Emergency Shelter Grants Program	ER0164-0380	14,140	5,000
U.S. DEPARTMENT OF JUSTICE				
Passed through state Department of Public Safety				
16.523	Juvenile Accountability Incentive Block Grant	99JAIBG-INT-30	18,000	0
16.592	Local Law Enforcement Block Grants Program	43-6002183	8,510	0
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-064 (17)	0	1,877
		BRO-064 (18)	11,213	41,256
		BRO-064 (19)	27,297	0
		N/A	9,971	6,224
	Program Total		<u>48,481</u>	<u>49,357</u>
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	HMEP	1,969	1,853

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	2791 09-58	719	182
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.552	Emergency Management Performance Grant	812PGAEM203007	19,862	0
		812PGAEM300841	39,127	0
		812PGAEM300469	25,796	0
		812PGAEM300325	5,918	0
		812PGAEM300274	6,309	0
		812PGAEM300729	6,563	0
	Program Total		<u>103,575</u>	<u>0</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Level in Children	ERS146-3164L	28,976	24,492
93.268	Immunization Grants	PGA064-3164A	7,780	0
		N/A	43,960	32,497
		N/A	5,756	10,879
	Program Total		<u>57,496</u>	<u>43,376</u>
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	AOC03380034	18,214	0
Department of Social Services -				
93.563	Child Support Enforcement	N/A	9,264	4,916
Department of Health and Senior Services -				
93.575	Child Care and Development Block Grant	PGA067-3164C	1,000	0
		PGA067-2164S	3,690	6,138
	Program Total		<u>4,690</u>	<u>6,138</u>
Department of Social Services -				
93.658	Foster Care - Title IV-E	AOC00380236	15,394	19,549

Schedule

MARION COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2002	2001
	Department of Health and Senior Services -			
93.917	HIV Care Formula Grants	DH02000601	5,425	11,285
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERS161-00073	0	2,903
93.945	Assistance Programs for Chronic Disease Prevention and Control	AOC03380102	20,000	30,000
93.994	Maternal and Child Health Service: Block Grant to the States	ERS146-31 N/A	24,965 473	24,572 3,656
	Program Total		<u>25,438</u>	<u>28,228</u>
	Total Expenditures of Federal Award:		\$ <u>540,796</u>	<u>353,613</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

MARION COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Marion County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Food Donation (CFDA number 10.550) represent the dollar value assigned to commodities based on prices provided by the state Department of Social Services.

Amounts for Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268), and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$14,140 and \$5,000 to a subrecipient under the Emergency Shelter Grants Program (CFDA number 14.231) during the years ended December 31, 2002 and 2001, respectively.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Marion County, Missouri

Compliance

We have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Marion County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

Internal Control Over Compliance

The management of Marion County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Marion County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

July 21, 2003 (fieldwork completion date)

Schedule

MARION COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to the financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes x no

Reportable conditions identified that are not considered to be material weaknesses? x yes _____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes _____ no

Identification of major programs:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
07.unknown	High Intensity Drug Trafficking Area
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
20.205	Highway Planning and Construction
83.552	Emergency Management Performance Grants

Dollar threshold used to distinguish between Type A
and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

02-1	Emergency Management Equipment Hours
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Federal Grantor:	Federal Emergency Management Agency
Pass-Through Grantor:	N/A
Federal CFDA Number:	83.552
Program Title:	Emergency Management Performance Grants
Pass-Through Entity	
Identifying Number:	812PGAEM203007, 812PGAEM300841, 812PGAEM300469, 812PGAEM300325, 812PGAEM300274, 812PGAEM300729
Award Years:	2002
Questioned Costs:	\$1,739

The County contracted with the Federal Emergency Management Agency for two disaster assistance projects during 2002. These projects were 75 percent federally funded.

The county received reimbursement for highway department overtime hours worked, equipment hours, and some materials related to the clean up of the county roads after the disasters. The number of equipment hours charged to the grant was equal to the hours

worked by highway department employees on the clean up project. The county charged the grant for equipment hours that were not used. The county included the eight hours of holiday pay as equipment hours used even though the equipment was not in use. The grant was over charged eight hours on ten machines on the holiday. In addition three and one-half hours were charged for one employee on a day he was not working. As a result, we have questioned costs of \$1,739, which is the federal share of the costs identified for the equipment hours and employee hours.

WE RECOMMEND the County Commission resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The grant representative was asked specifically about the eight hours of holiday time and the county thought the request was prepared in accordance with his instructions. The grant was very confusing. The county is aware of the situation and agreed that they overcharged the grant for three and one-half hours that they did not have a timecard to support.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

MARION COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

MARION COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

MARION COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Marion County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 21, 2003. We also have audited the compliance of Marion County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 21, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Board of Services for the Developmentally Disabled is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information for the year ended June 30, 2002 and June 30, 2001.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials and the county board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audits of the financial statements of Marion County and of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Budgetary Practices and Published Financial Statements

The annual budgets overestimated disbursements for various county funds. Formal budgets were not prepared for some county funds. In addition the county's annual published financial statement did not include the financial activity for some county funds.

- A. The approved budget document did not adequately project anticipated disbursements and the ending cash balance of the Capital Improvements Fund, Veterans Road Fund, Special Road and Bridge Fund and Recorder's Preservation Fund for the years ended December 31, 2002 and 2001, and the Recorder's Technology Fund for the year ended December 31, 2002. The budgets significantly overestimated disbursements, and as a result the actual ending fund balances were much higher than the projected ending balances as follows:

	Year Ended December 31,					
	2002			2001		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital Improvements						
Disbursements	\$1,736,040	935,411	800,629	2,271,001	1,700,516	570,485
Cash Balance	485,593	889,950	404,357	2,033	200,309	198,278
Veterans Road						
Expenditures	1,944,824	658,118	1,286,706	1,817,000	181,709	1,635,291
Cash Balance	240,713	1,658,987	1,418,274	1,741	1,620,037	1,618,296
Special Road and Bridge						
Disbursements	1,955,008	1,409,683	545,325	2,000,000	1,374,877	625,123
Cash Balance	(532,714)	135,837	668,551	(540,928)	53,294	594,222
Recorder's Preservation						
Disbursements	52,000	1,147	50,853	54,333	14,511	39,822
Cash Balance	780	56,526	55,746	0	40,780	40,780
Recorder's Technology						
Disbursements	10,000	1,138	8,862	0	0	0
Cash Balance	788	9,718	8,930	0	0	0

As evidenced by the amounts presented above, the County Commission does not adequately review historical cost data when preparing the budget. Part of the reason for significant differences between budgeted and actual expenditures is bridge projects being budgeted in full even if only a portion of the project will be completed. The uncompleted portion of projects is budgeted again in the subsequent year, causing total amount budgeted for the project to be inflated. Failure to approve a realistic budget and monitor budget to actual data reduces the effectiveness of the budget as a management tool. Prudent fiscal management of county funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies.

For the budget documents to be of maximum assistance to the County Commission and to adequately inform county residents of the county's operation and current financial condition, the budgets should reflect reasonable estimates of disbursements and the anticipated ending cash balance.

- B. Formal budgets were not prepared for the Domestic Violence Fund for the years ended December 31, 2002 and 2001. In addition, formal budgets were not prepared for the Sheriff's Fund for the year ended December 31, 2002 and for the Recorder's Technology Fund for the year ended December 31, 2001. A written request for budgets was prepared by the County Clerk's office and transmitted to all county officials. Some officials chose not to submit budgets in accordance with the request. Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources. See also MAR finding number 5, 7, 8 and 16.
- C. The county's annual published financial statements did not include the financial activity for some county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included. In addition, the publishing of complete and timely financial statements, besides meeting statutory requirements, provides information to citizens as to the operations of their county government and how tax dollars are spent.

Sections 50.800 and 50.810, RSMo 2000, require the county financial statements to be prepared and published in a local newspaper and show actual receipts or revenues, disbursement or expenditures, and beginning and ending balances for each county fund. See also MAR finding number 20 and 21.

These conditions were noted in a prior report.

WE AGAIN RECOMMEND the County Commission:

- A. And the Ex-Officio Recorder review procedures used to establish annual budgets and prepare more reasonable budgets.
- B. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- C. Publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

AUDITEE'S RESPONSE

- A. *The County Commission and the County Clerk indicated they feel strongly that they should budget for projects to be completed because they intend to complete the project if possible and they do not have any unexpected impediments.*

The Ex-Officio Recorder indicated he had planned to spend the money to get the older records digitized but did not have enough for the bids so he had to postpone the plans. He plans to continue to budget for this project so he can have it done when he is able to find someone who will do it for the amount available in the fund.

- B. *The County Commissioners indicated the Treasurer is now budgeting for the Domestic Violence fund and the other funds noted were started mid-year.*

The Sheriff's office indicated this recommendation has been implemented. The Sheriff's fund was budgeted in 2003.

The Ex-Officio Recorder indicated that this recommendation has been implemented. The Recorder's Technology fund was budgeted in 2003.

- C. *The County Clerk indicated he will revise his budget request letter to also ask for the information for the published financial statements from the various entities.*

2.

Federal Awards

The county submits a schedule of expenditures of federal awards to the State Auditor's Office along with its annual budget. The schedule is prepared by combining information on federal awards obtained from the Health Center, and Juvenile Justice Center with the county federal awards. The schedule of federal awards required a total of \$52,770 and \$30,937 adjustments for the years ended December 31, 2002 and 2001, respectively. The County Clerk's, Health Center's and Juvenile Justice Center's schedules included awards that were not federal in 2002, awards that were overstated due to incorrect calculations and awards that were understated. The County Clerk and County Commission failed to

adequately review this schedule for accuracy and completeness. For the schedule of federal awards to adequately reflect the county's federal award expenditures, it is necessary that all expenditures be properly reported.

A similar condition was noted in a prior report.

WE AGAIN RECOMMEND the County Commission, County Clerk, Health Center and Juvenile Justice Center ensure all federal award expenditure amounts are properly recorded on the schedule of expenditures of federal awards.

AUDITEE'S RESPONSE

The County Commissioners and County Clerk indicated the County Clerk will notify the other entities and ask their compliance and will continue to work to improve their schedule.

The Health Center indicated they will implement this recommendation with the preparation of the next schedule.

The Juvenile Justice Center indicated that they will speak with their grant contacts and document the information they receive regarding monies being state or federal and the percentage of each if the information is not included on their contracts. They will use this information to prepare the schedule they submit to the county next year.

3. Payroll and Personnel Procedures
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Timecards are not always signed by employees or their supervisors, timesheets for Sheriff's department employees are not submitted to the County Clerk and compensatory time is accumulated at time and one-half when 40 hours were not worked during the week.

- A. Timecards are not always signed by employees or their supervisors. Timecards should be prepared by the employee and approved by the applicable supervisor. Without employee and supervisory review of timecards and a signature to indicate the review, the county cannot be assured that the time records are accurate.

In addition, the Sheriff or his deputy does not review timesheets prepared by his employees and compare the leave recorded on the timesheets to the leave requests submitted. This resulted in one employee's leave records being misstated and another employee receiving compensatory time for hours that were not reflected on the timesheet.

The FLSA requires employers to keep accurate records of actual time worked by employees. The time records should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the county's payroll records. Time sheets should be compared to leave slips before payroll is

requested to ensure the accuracy of the records. In addition, centralized records help ensure that employees' annual leave, sick leave, and overtime records are accurate and comply with county policy, better document compliance with the Fair Labor Standards Act (FLSA), and aid in determining final pay for employees leaving county employment.

- B. Compensatory time is accumulated at time and a half although 40 hours were not worked during the week. The County Personnel Policies and Procedures Manual states that overtime compensation will be rewarded at one and a half times the usual rate of pay, in the form of compensatory time off, for hours worked in excess of 40 per week. There were several instances where employees received compensatory time at the rate of one and one-half hours during weeks where annual and sick leave were taken. If leave hours are to be included in determining overtime hours worked the county's policy should specifically note this.

A similar condition was noted in a prior report.

WE RECOMMEND the County Commission:

- A. Require time records be prepared and signed by employees, approved by the applicable supervisor, and filed in a central location with the county's payroll records. In addition, time sheets should be compared to leave requests and any differences investigated.
- B. Review the County Personnel Policies and Procedures Manual and ensure compliance with the policy or adopt revisions that reflect the procedures the county is following. In addition, the Commission should ensure all terms are properly defined in the policy.

AUDITEE'S RESPONSE

- A. *The County Commission indicated they will review their procedures, discuss this recommendation with the Sheriff, and take actions accordingly.*

The Sheriff's department indicated an officer is now comparing timesheets and timecards to leave requests. The recommendation has been implemented.

- B. *The County Commission indicated that this recommendation has been addressed and implemented.*

4.	Assessor
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Receipts are not always transmitted timely or intact, checks are not restrictively endorsed immediately upon receipt, monies are not kept in a secure location, and receipt slips are sometimes issued when money is not collected. The Assessor transmitted approximately

\$920 and \$760 to the County Treasurer during the years ended December 31, 2002 and 2001, respectively, from the sale of maps and photocopies. In addition, approximately \$76 and \$32 of accountable funds were spent in 2002 and 2001, respectively for film, film development and consumable goods.

- A. Receipts are not transmitted to the County Treasurer intact on a timely basis and are not kept in a secure location until transmitted. In addition, checks are not restrictively endorsed immediately upon receipt and receipt slips are issued only upon request. The Assessor's office transmits monies directly to the County Treasurer approximately once a month; however, some cash is retained for petty cash purchases. Cash is kept in an envelope in an unlocked desk drawer and checks are tacked to a bulletin board at the entrance to the office until they are transmitted. Keeping cash on hand, accompanied by a lack of restrictive endorsements and receipts slips, increases the possibility of loss or misuse of funds.

To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued for all monies received, checks should be restrictively endorsed upon receipt, and the method of payment per receipt slips should be reconciled to the composition of monies transmitted to the County Treasurer. Transmitting receipts to the County Treasurer intact is necessary to ensure proper recording and accountability of receipts and to lessen the possibility of loss or misuse of funds. In addition, if necessary, a petty cash fund should be established and maintained on an imprest basis.

- B. The Assessor's office issues pre-numbered receipt slips when individuals purchase plat books and/or maps regardless of whether the individuals pay at that time or charges the purchase. If the individual charges the purchase, the same receipt slip is then used to record any subsequent charges made by that individual. The individual receives the top copy of the receipt slip when they pay for all of the charges. In addition, the Assessor's office does not regularly review charges to ensure individuals are paying their bills timely. There were eleven accounts that had current balances due ranging from \$3 to \$81 and one account that has remained unpaid since January 2002. There was a total of \$136 that was due to the Assessor's office for charged purchases.

The Assessor's office should issue receipt slips to individuals only when monies are received to ensure monies received are accounted for properly. Separate records should be maintained for individuals that are allowed to charge purchases, which indicate the date of the charge, the items sold, the total due from the individual, and any payments made to reduce the balance due. These records should be reviewed periodically for any outstanding balances that have not been collected and procedures established to pursue collection.

WE RECOMMEND the Assessor:

- A. Ensure pre-numbered receipt slips are issued for all monies received, receipts are stored in a secure location until transmitted, checks are restrictively endorsed upon receipt, the method of payment per receipt slips is reconciled to the composition of monies transmitted to the County Treasurer and monies are transmitted timely and intact. In addition, if necessary, a petty cash fund should be established and maintained on an imprest basis.
- B. Ensure receipt slips are issued only when monies are received and maintain an accounts receivable ledger listing of all individuals who owe the Assessor's office for plat books and maps. In addition, the Assessor should periodically review this ledger and seek payment for long overdue accounts.

AUDITEE'S RESPONSE

The Assessor indicated:

- A. *This recommendation has been implemented. Receipts are being transmitted more timely, and the office now has a stamp which they use to endorse checks immediately. In addition, monies are kept in a lockbox until they are deposited.*
- B. *This recommendation has been implemented. Separate receipt books are now maintained for charges and the companies are billed regularly.*

5. Sheriff's Jail Inmate Fund

The Sheriff's Jail Inmate Fund is not reconciled to the individual inmate account balances and commissary profits, and inventory records of commissary items are not maintained. In addition, receipt slips are not issued for some monies received, the method of payment is not always indicated on the receipt slips, and the petty cash fund is not maintained on an imprest basis. Also, formal budgets were not prepared for this fund for the years ended December 31, 2002 and 2001 and the Sheriff does not file a formal monthly report of fund activity with the County Commission.

- A. The Sheriff's Jail Inmate Fund is not reconciled to the individual inmate account balances and commissary profits. The Sheriff's department maintains a separate checking account to deposit monies received for the inmates' use. The inmates can use these funds to purchase toiletries, snacks, and various other products from a contracted vendor and tobacco products from the sheriff's department. Vendor invoices are paid from the Sheriff's Jail Inmate Fund. A computer program is used to track the inmates' deposits, purchases, and current balance. A Balance Report is printed monthly which shows each inmate's balance at the end of the month; however, this report is not reconciled to the balance in the fund.

The reconciled bank balance was approximately \$6,274 and exceeded the total of the inmate account balances by approximately \$1,070 at December 31, 2002. To ensure proper accountability over inmate and commissary monies, and improve the likelihood of identifying and correcting errors in a timely manner, the individual inmate account balances and commissary profits should be compared to the reconciled bank balance on a monthly basis. Any discrepancies should be followed up on and resolved.

A similar condition was noted in a prior report.

- B. The Sheriff provides commissary services to inmates whereby inmates are allowed to purchase smokeless tobacco, lighters, and stamps which are not available through the contracted commissary vendor.

An independent party does not periodically reconcile the amount of items purchased and remaining in inventory with receipts from the sale of the items. Failure to reconcile monies received to items sold could result in the loss or misuse of funds.

- C. Receipt slips are not issued for some monies received and the method of payment is not always indicated on the receipt slips. Receipt slips were not issued for monies received in the evenings when the receipt books were filled. Monies were placed in a sealed envelope that was labeled with the prisoners name and amount received and placed in a box until picked up the next business day. To adequately account for all receipts, prenumbered receipt slips should be issued for all monies received and the numerical sequence should be accounted for properly. In addition, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits.

- D. The Sheriff's department petty cash fund is not maintained on an imprest basis. A check for \$20 is written from the Sheriff's Jail Inmate Fund periodically to replenish the fund, instead of reimbursing the amounts spent. The bookkeeper indicated the petty cash fund was established at \$20 and is maintained to refund inmates' commissary balances that are less than two dollars.

Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies.

- E. Formal budgets were not prepared for the Sheriff's Jail Inmate Fund for the years ended December 31, 2002 and 2001. Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.

- F. The Sheriff does not file a formal monthly report of activity in the Sheriff's Jail Inmate Fund with the County Commission. Section 50.370, RSMo 2000, requires that an itemized and accurate list of fees collected be filed by county officials with the County Commission monthly.

WE RECOMMEND the Sheriff:

- A. Ensure the individual prisoner account balances are reconciled to the reconciled bank balance of the Sheriff's Jail Inmate Fund on a monthly basis.
- B. Ensure independent reconciliations of commissary monies received to items purchased and remaining in inventory are performed.
- C. Issue prenumbered receipt slips for all monies received, and periodically account for the numerical sequence of the receipt slips issued. In addition, the Sheriff should ensure the method of payment is indicated on all receipt slips and the composition of receipt slips issued is reconciled to the composition of bank deposits.
- D. Ensure the petty cash fund is maintained on an imprest basis.
- E. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- F. File a monthly report of activity in the Sheriff's Jail Inmate Fund with the County Commission.

AUDITEE'S RESPONSE

The Sheriff's department indicated:

- A. *They have tried to reconcile with the assistance of the auditors and will continue to try to reconcile.*
- B-D. *These recommendations have been implemented.*
- E. *This recommendation will be implemented with the next budget year.*
- F. *This recommendation will be implemented immediately with the Sheriff's approval.*

6.

Sheriff

Gun permits receipts are not deposited on a timely basis. During the years ended December 31, 2002 and 2001, gun permits were deposited approximately once a month. During a cash count on May 15, 2003, the Sheriff's department was holding \$100 in cash

collected for gun permits that was not deposited until the end of the month. The other monies collected and counted on May 15, 2003, were deposited that day without the gun permit receipts. The Sheriff's department collected \$2,090 and \$1,674 for gun permits during the years ended December 31, 2002 and 2001, respectively. To ensure all monies are properly accounted for and to adequately safeguard receipts, deposits should be made intact daily or when accumulated receipts exceed \$100.

WE RECOMMEND the Sheriff deposit all monies intact daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

The Sheriff's department indicated this recommendation has been implemented. Gun permits are now deposited daily.

7. Associate Circuit Division - District II (Hannibal)

Formal budgets were not prepared for the Associate Circuit Division - District II Interest Fund for the years ended December 31, 2002 and 2001. In addition, garnishment and civil receipts are not transmitted/deposited intact on a timely basis and the method of payment is not always indicated on the Associate Division's receipt slips. Also, the Associate Division has not established procedures to routinely follow up on outstanding checks.

- A. Formal budgets were not prepared for the Associate Circuit Division - District II Interest Fund for the years ended December 31, 2002 and 2001. Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.
- B. Garnishment and civil receipts are not transmitted/deposited intact on a timely basis. During a cash count, approximately \$1,490 and \$2,705 were on hand for garnishment and civil cases respectively. This money included checks that had been received up to seven months prior to the date of the count. Other deposits were made during this time period. The clerk indicated sheriff's fees for garnishments were held because the court was waiting until prior orders expired and that civil monies were not deposited because the clerk who usually receipts the civil monies was out and no one else had time to receipt the monies.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

- C. The method of payment is not always indicated on the Associate Division's receipt slips. To ensure receipts are handled properly, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits.
- D. The Associate Division has not established procedures to routinely follow up on outstanding checks. At December 31, 2002, the Associate Division's bank account had outstanding checks totaling approximately \$1,040 that were over one year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities. The Associate Division should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Associate Circuit Division:

- A. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- B. Transmit/deposit receipts intact daily.
- C. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- D. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Associate Clerk indicated:

A&C. These recommendations have been implemented.

- B. Civil monies are now deposited timely. The sheriff's service fees for garnishments are held until the garnishment can be served (when the current garnishment on the individual expires). This system works to the satisfaction of the court and attorneys, so we do not plan to change it.*
- D. The office is currently working on the outstanding checks and hopes to be done within a year.*

Formal budgets were not prepared for the Associate Circuit Division - District I Interest Fund. In addition, the balance in the bond account included cash bond receipts totaling more than \$7,700 which have been held in excess of one year, receipts were not deposited on a timely basis, the method of payment was not always indicated on the Associate Division's receipt slips, and checks and money orders received were not restrictively endorsed immediately upon receipt.

- A. Formal budgets were not prepared for the Associate Circuit Division - District I Interest Fund for the years ended December 31, 2002 and 2001. Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.
- B. The December 31, 2002 balance in the bond account included cash bond receipts totaling more than \$7,700 which have been held in excess of one year. In addition, the open items listing maintained by the Associate Circuit Division - District I included some cases that had been dismissed or closed. For example, one case dating back to 1998, totaling approximately \$2,300, had been forfeited; however, it was still being held by the court at December 31, 2002. The status of old open items should be routinely reviewed to determine if any disbursement is necessary. If disbursement is possible, but proper payees cannot be located, the monies should be disposed of in accordance with state law. Various statutory provisions provide for the disposition of unclaimed monies.
- C. Receipts are not deposited on a timely basis. Deposits are generally made twice a week. In addition, neither deposit slips nor cash receipt records indicate the receipt slips comprising the deposit. To ensure all monies are properly accounted for and to adequately safeguard receipts, deposits should be made intact daily or when accumulated receipts exceed \$100. In addition, deposit slips or cash receipt records should indicate the receipts comprising the deposit.
- D. The method of payment is not always indicated on the Associate Division's civil receipt slips. To ensure receipts are handled properly, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the composition of bank deposits.
- E. Checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied when the monies are deposited. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Associate Circuit Division - District I:

- A. Ensure formal budgets are prepared and submitted to the County Clerk yearly as required by state law.
- B. Adopt procedures to periodically follow up on old open items and dispose of them according to state law.
- C. Deposit all monies intact daily or when accumulated receipts exceed \$100. In addition, the Associate Circuit Division should ensure deposit slips or cash receipt records indicate the receipts comprising the deposit.
- D. Ensure the method of payment is indicated on all receipt slips and reconcile the composition of receipts to the composition of bank deposits.
- E. Restrictively endorse checks immediately upon receipt.

AUDITEE'S RESPONSE

The Associate Clerk indicated:

- A. *This recommendation will be discussed with the Judge.*
 - B. *This recommendation will be implemented over the next year.*
 - C. *She will try to deposit more timely and indicate the civil receipt slips comprising the monies being deposited.*
- D&E. These recommendations will be implemented immediately.*

9.

Vehicle Logs

The county does not require logs to be maintained documenting fuel costs and vehicle usage for ten road and bridge trucks and a sports utility vehicle, nineteen Sheriff's patrol cars and five transport vans, or the county coordinator's sports utility vehicle. Vehicle logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure vehicles are used only for county business and help identify vehicles which should be replaced. Information on the logs should be reconciled to gasoline purchases and other maintenance charges.

WE RECOMMEND the County Commission require usage logs be maintained for all county assigned vehicles and perform a periodic review of such.

AUDITEE'S RESPONSE

The County Commission indicated they will take this recommendation under advisement. The current fuel log reflects the gasoline pumped in each vehicle and any maintenance. It would not be difficult to add the mileage to this log.

10. Computer Controls

Passwords are used on most systems within the offices of the various elected officials; however, the Ex-Officio Recorder's, Sheriff's, Public Administrator's, and Collector's passwords are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords effectively limit access to the data files and programs to only those individuals who need access for completion of job responsibilities. Passwords should be unique, changed periodically to reduce the possibility of unauthorized users, and utilized to restrict individuals' access to only those data files and programs they need to accomplish their jobs.

WE RECOMMEND the Ex-Officio Recorder, Sheriff, Public Administrator and Collector ensure passwords are periodically changed and remain confidential.

AUDITEE'S RESPONSE

The Ex-Officio Recorder indicated passwords will be changed twice a year.

The County Sheriff's office indicated passwords will be changed when there is a change in employees.

The Public Administrator indicated that new computers will be installed in her office. Anticipated date of installation is March 8, 2004. The new computers will have XP Pro. Each user will be required to log on to their computer using a user name and password; and a user name and password to log into our accounting software program. She will appoint a staff person to see to it that the passwords are changed on a quarterly basis. This will be effective on or about March 12, 2004.

The County Collector indicated he will change computer passwords when an employee leaves.

11. Prosecuting Attorney

An adequate system to account for all bad checks received by the Prosecuting Attorney's office as well as the subsequent disposition of these bad checks has not been established. Currently, Marion County merchants complete an unnumbered complaint form at the time the bad check is turned over to the Prosecuting Attorney for collection. The complaint form and information regarding the handling of each case is maintained in the

individual case files. The Prosecuting Attorney's office has not established procedures to ensure the disposition of bad checks has been accounted for properly.

To ensure all bad checks turned over to the Prosecuting Attorney are handled and accounted for properly, a sequential number should be assigned to each bad check complaint form or bad check received and a log should be maintained showing each bad check and its disposition. The log should contain information such as the assigned number, the merchant, the issuer of the check, the amount of the check, the amount of the bad check fee, and the disposition of the bad check, including date payment was received and transmitted to the merchant or the criminal case in which charges were filed or other disposition.

WE RECOMMEND the Prosecuting Attorney implement procedures to adequately account for bad checks received, as well as the ultimate disposition through the use of sequential numbers assigned to each bad check complaint form or bad check received and a log to account for the numerical sequence and disposition of each bad check.

AUDITEE'S RESPONSE

The Prosecuting Attorney indicated he will consider keeping a log. He will discuss this with his staff and a decision will be made within three months.

12. Circuit Clerk - District II (Hannibal)

The Circuit Clerk does not have adequate procedures to monitor and ensure monies in her various bank accounts are sufficiently collateralized. In addition, listings of liabilities (open items) were not prepared for the fee account and the Circuit Clerk has not established procedures to routinely follow up on outstanding checks.

- A. The Circuit Clerk has not established adequate procedures to ensure her various bank accounts are sufficiently collateralized. The amount of collateral securities pledged by the Circuit Clerk's depository bank in April 2002, was insufficient by approximately \$16,000 to cover monies in the custody of the Circuit Clerk.

Section 483.312, RSMo 2000, requires the value of securities pledged by banks holding circuit court funds shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave Circuit Clerk funds unsecured and subject to loss in the event of bank failure.

To ensure sufficient collateral securities are pledged, the Circuit Clerk should enter into depository agreements with the banks to require collateral securities to be pledged whenever balances exceed FDIC coverage. In addition, total amounts on deposit should be routinely monitored to ensure amounts pledged are sufficient.

- B. Listings of liabilities (open items) are not prepared for the fee account. The reconciled cash balance at December 31, 2002, totaled approximately \$278,300. We requested the Circuit Clerk prepare a current listing of open items; however, she had only completed the listing for August 2002 by the end of fieldwork. Only by preparing open items listings on a monthly basis and reconciling them to the cash balance can the Circuit Clerk be assured that the records are in balance and that sufficient cash is available to cover liabilities.
- C. The Circuit Clerk has not established procedures to routinely follow up on outstanding checks. At December 31, 2002, the Circuit Clerk had outstanding checks totaling approximately \$9,200 on the fee account and \$140 on the child support account that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities. The Circuit Clerk should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

These conditions were noted in a prior report.

WE AGAIN RECOMMEND the Circuit Clerk:

- A. Develop procedures to monitor and ensure adequate collateral securities are pledged at all times.
- B. Prepare monthly listings of open items and reconcile the listing to the cash balance.
- C. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk indicated:

- A. *Bank balances are monitored regularly, but in the future she will more closely monitor the large condemnation suits.*
- B. *She is in the process of implementing this recommendation. She estimates she will be up-to-date within three months. She is currently working on the open items list.*
- C. *She plans to have this recommendation implemented within the next four months. She is currently working on investigating the checks and developing a policy.*

13.

Circuit Clerk - District I (Palmyra)

The Circuit Clerk has not established procedures to routinely follow up on outstanding checks. At December 31, 2002, the Circuit Clerk had outstanding checks totaling approximately \$2,302 on the fee account and \$1,994 on the child support account that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities. The Circuit Clerk should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Circuit Clerk establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Circuit Clerk indicated he is in the process of implementing this recommendation and he plans to establish procedures to routinely follow-up on outstanding checks.

14.

County Clerk

Receipt slips are not issued for some monies received and checks received are not restrictively endorsed immediately upon receipt.

- A. Receipt slips are not issued for some monies received. In addition, the method of payment is not always indicated on the receipt slips. To ensure receipts are handled properly, receipt slips should be issued for all monies received. In addition, the method of payment should be indicated on each receipt slip and the composition (cash and checks) should be reconciled to the turnover to the Treasurer.
- B. Checks received are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied by the County Treasurer when the checks are transmitted at the end of the month. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the County Clerk:

- A. Ensure receipt slips are issued for all monies received. In addition, ensure the method of payment is indicated on all receipt slips and the composition of receipts is reconciled to the turnover to the Treasurer.

- B. Restrictively endorse checks immediately upon receipt.

AUDITEE'S RESPONSE

A&B. The County Clerk indicated these recommendations have been implemented.

15. Collector

The Collector's office maintained several bank accounts and had outstanding checks that were more than a year old.

- A. At December 31, 2002, the Collector maintained fifteen bank accounts between his two offices. Three separate accounts are maintained for tax collections for each of the county drainage districts. These accounts are separate from the Collector's main account due to the differences in the accounting systems used, however, the three drainage accounts could be combined into one to reduce the work load of the office. In addition, two accounts are maintained by the Hannibal branch to account for partial payments received. One account is for payments received on delinquent taxes and the second account is for payments received in advance of the tax bills being generated. The accounts are used for similar purposes and require the same records to be kept. Combining these accounts could reduce the work load of the office without increasing the records to be maintained.

Overall efficiency could be improved by reducing the number of accounts and combining funds in as few accounts and investment vehicles as possible. Consolidating existing accounts would also allow funds to be pooled for increased investment opportunities.

- B. At December 31, 2002, the County Collector's bank accounts had outstanding checks totaling approximately \$1,600 that were over one year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities. The County Collector should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

WE RECOMMEND the Collector:

- A. Evaluate the need for each bank account and combine any with similar purposes.
- B. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The County Collector indicated:

- A. Some accounts have been combined. He feels that he is providing a clear audit trail by keeping the separate accounts. He will ask the drainage districts to add their request for separate accounts to their yearly agreements.*
- B. They will set up procedures to regularly follow up on outstanding checks and take care of the current checks.*

16. Probate Division - District II (Hannibal)
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Formal budgets were not prepared for the Probate Division - District II Interest Fund and accounting duties for the Probate Division are not adequately segregated.

- A. Formal budgets were not prepared for the Probate Division - District II Interest Fund for the years ended December 31, 2002 and 2001. Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the County Commission is able to more effectively evaluate all county financial resources.
- B. Accounting duties for the Probate Division are not adequately segregated. The duties of receiving, recording, depositing and disbursing monies are all performed by the Probate clerk. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Probate Division judge.

WE RECOMMEND the Probate Division:

- A. Ensure budgets are prepared and submitted to the County Clerk yearly as required by state law.
- B. Adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Probate Clerk indicated:

- A. *This recommendation will be implemented for the next budget year.*
- B. *The Associate Judge's review will be documented in the future.*

17. Probate Division - District I (Palmyra)
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Accounting duties for the Probate division are not adequately segregated. The duties of receiving, recording, depositing and disbursing monies are all performed by the Probate clerk. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Probate Division judge.

WE RECOMMEND the Probate Division adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Probate Clerk indicated this recommendation will be implemented immediately.

18. Highway Department

The duties of billing, receiving, recording, and transmitting monies received for 911 signs, building permits, flood plain leases and road and bridge materials, to the County Treasurer are all performed by the Highway Department's secretary. There is no independent reconciliation between the bills sent and the monies received to ensure payments have been collected. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly, transmitted to the Treasurer, and assets are adequately safeguarded. The Highway Department collected approximately \$19,000 and \$27,000 in 2002 and 2001, respectively.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting

and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the County Treasurer.

WE RECOMMEND the Highway Department adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented. In addition, reconciliations between the billings and payments received should be performed periodically by an independent person.

AUDITEE'S RESPONSE

The Highway Department secretary indicated this recommendation has been implemented.

19.	Ex-Officio Recorder
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Accounting duties for the Ex-Officio Recorder's office are not adequately segregated. The duties of receiving, recording, depositing and disbursing monies are all performed by the Deputy Recorder. In addition, there is no indication that supervisory reviews are performed to ensure that all transactions are accounted for properly and assets are adequately safeguarded.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating accounting and bookkeeping duties among available employees or by implementing an independent documented review of records by another employee or the Ex-Officio Recorder.

WE RECOMMEND the Ex-Officio Recorder adequately segregate accounting and bookkeeping duties to the extent possible or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

The Ex-Officio Recorder indicated this recommendation will be implemented immediately.

20.	Health Center
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Actual disbursements exceeded the budgeted amounts in the Health Center Fund and the county's annual published financial statements did not include the financial activity for the Health Center. In addition, the Health Center does not have a formal emergency contingency plan for the computer systems, and has not formally negotiated arrangements for backup facilities in the event of a disaster.

A. Actual disbursements exceeded the budgeted amounts in the Health Center Fund in 2002 and 2001. The Health Department submitted budget revisions to the State

Auditor's office to reflect increased revenues received and expenditures made during the year. However, prior to the amendment of these budgets, expenditures had already exceeded the original budget and no other amendments had been made. Amendments made after expenditures have exceeded the budget do not allow for the budget to be used as an effective management tool. It appears disbursements were not adequately monitored to ensure compliance with the budget.

It was ruled in *State ex rel. Strong v. Cribb*, 364 Mo. 1122,273 SW2d 246 (1954) that county officials are required to comply strictly with county budget laws. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during the year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget. To ensure the adequacy of the budgets as a planning tool and to ensure compliance with state law, budget amendments should be made prior to incurring the actual expenditures.

- B. The county's annual published financial statements did not include the financial activity for the Health Center. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included. In addition, the publishing of complete and timely financial statements, besides meeting statutory requirements, provides information to citizens as to the operations of their county government and how tax dollars are spent.

Sections 50.800 and 50.810, RSMo 2000, require the county financial statements to be prepared and published in a local newspaper and show actual receipts or revenues, disbursement or expenditures, and beginning and ending balances for each county fund.

- C. The Health Center does not have a formal emergency contingency plan for the computer systems, and has not formally negotiated arrangements for backup facilities in the event of a disaster.

Contingency plans should include plans for a variety of situations, such as short- and long-term plans for backup hardware, software, facilities, personnel, and power usage. Involvement of users in contingency planning is important since users will likely be responsible for maintaining at least a portion of the backup under various contingencies. The major benefit of a thorough disaster recovery plan is the ability of the Health Center to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the

Health Center. Because of the Health Center's degree of reliance on the data processing, the need for contingency planning is evident.

WE RECOMMEND the Health Center:

- A. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended and filed with the State Auditor's office. In addition, ensure budget amendments are made prior to incurring the actual expenditures.
- B. Publish financial statements in accordance with state law.
- C. Ensure a formal contingency plan for the Health Center's computer system is developed.

AUDITEE'S RESPONSE

The Health Center Administrator and Board Treasurer indicated:

- A. *The Board amended the budget in December before the bills were approved for that month which is in compliance with the law.*
- B. *The information was submitted in 2002 and was received too late to be published with the county's information. They have submitted the information to the county for 2003 and 2002. They will double check with the County Clerk regarding the publishing deadline and detail required.*
- C. *The Health Center will get a written review and plan within six months.*

AUDITOR'S COMMENT

Monthly reports showed expenditures for various classifications exceeding budgets prior to the amendments, and even after such amendments, total actual expenditures still exceeded the budget.

21. Emergency Telephone Service (E-911) Board
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The E-911 Board has not established procedures to routinely follow up on outstanding checks and has no formal policies and procedures for general fixed assets. In addition, credit card receipts are not reconciled to the monthly credit card bill, and the Board awarded each employee a \$50 gift card as a Christmas bonus in 2002 and 2001 and each dispatcher a \$20 gift card in appreciation of Telecommunicator's week. Also, the E-911 Board did not publish annual financial statements.

A. The E-911 Board has not established procedures to routinely follow up on outstanding checks. At December 31, 2002, the E-911 Board's bank account had outstanding checks totaling approximately \$1,080 that were over a year old. These old outstanding checks create additional and unnecessary record-keeping responsibilities. The E-911 Board should adopt procedures to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located or identified, these monies should be disposed of in accordance with state law.

B. The E-911 Board has not established formal policies and procedures for general fixed assets, including procedures to update property records, and number, tag or otherwise identify property items.

Property control tags should be affixed to all fixed asset items on a timely basis to help improve accountability and to ensure that assets are identified as property of the E-911 Board. Also, if properly performed and documented, an annual inventory could help detect items not recorded on the inventory records. Adequate general fixed asset records are necessary to meet statutory requirements, secure better internal control over and safeguard assets, and provide a basis for determining proper insurance coverage.

C. Credit card receipts are not reconciled to the monthly credit card bill. The E-911 Board maintains a credit card for paying hotel bills associated with travel to training sessions. Established procedures require employees to submit a receipt from the hotel to the E-911 supervisor; however, these are not reconciled to the credit card statement to ensure that the credit card statement is accurate. To ensure the reasonableness of credit card charges, the E-911 Board should reconcile receipts to the monthly statement. Failure to account for credit card purchases could result in loss, theft, or misuse.

D. The E-911 Board awarded each employee a \$50 gift card as a Christmas bonus in 2002 and 2001. In addition, they awarded each dispatcher a \$20 gift card in appreciation of Telecommunicator's week.

These performance payments or bonuses appear to represent additional compensation for services previously rendered and, as such, may violate Article III, Section 39 of the Missouri Constitution and appear contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "... a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

A similar condition was noted in a prior report.

E. The E-911 Board petty cash fund is not maintained on an imprest basis. Our count of the petty cash fund revealed it was short approximately \$6. The E-911

Supervisor indicated the petty cash fund was established at \$50 and is maintained to buy miscellaneous items for E-911. Petty cash was reimbursed approximately \$53 and \$135 in 2002 and 2001, respectively. Receipts are not always retained to document expenditures made and are not submitted with the reimbursement requests. In addition, receipt and disbursement records supporting petty cash fund activity were not maintained and some invoices or receipts were not maintained for petty cash expenditures.

Good internal controls require petty cash to be set at an established amount and to be reimbursed when it has been expended. An imprest basis petty cash fund would improve accountability over petty cash monies. In addition, receipt and disbursement records should be maintained and petty cash invoices should be retained to support expenditures.

- F. The E-911 Board did not publish annual financial statements. Section 50.800 and 50.810, RSMo, requires annual financial statements to be published for all county funds. To adequately inform the citizens of the board's financial activities, the board should publish annual financial statements of the E-911 Board Fund.

WE RECOMMEND the E-911 Board:

- A. Establish procedures to routinely follow up and reissue old outstanding checks. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- B. Establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with board property. Also, property control tags should be affixed to all general fixed assets, and board owned land and buildings should be included in the general fixed asset records. In addition, actual physical inventory of the various property items should be performed periodically.
- C. Perform a documented monthly reconciliation of credit card purchases to the credit card statement and investigate any significant discrepancies.
- D. Discontinue the practice of paying employee bonuses.
- E. Ensure the petty cash fund is maintained on an imprest basis. In addition, invoices should be maintained for all petty cash disbursements and a ledger should be prepared of all petty cash transactions.
- F. Publish annual financial statements of the E-911 Board Fund in accordance with state law.

AUDITEE'S RESPONSE

The 911 Board Treasurer and 911 Director indicated:

- A. The Board will discuss this recommendation with their accounting firm. They agree with the finding and will confer with their accountant about a policy. This will be implemented within two months.*
- B. They have a listing for all purchases since the audit and agree with the finding. This recommendation will be implemented within six months.*
- C&E. These recommendations have been implemented.*
- D. This recommendation will be implemented immediately.*
- F. This recommendation will be implemented for 2004.*

Follow-Up on Prior Audit Findings

MARION COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Marion County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Circuit Clerk, District 2 (Hannibal) Accounting Controls and Procedures

- A. Monies received were not deposited on a timely basis. In addition, receipts were not posted to the computerized accounting records until the deposit was made.
- B. Formal bank reconciliations were not prepared on a timely basis for the child support account.
- C. The Circuit Clerk's fee account had 28 checks totaling \$7,188 which had been outstanding for more than one year. In addition to the current fee account, an inactive fee account was maintained which had 47 outstanding checks totaling \$6,979.
- D. An open-items listing for the fee account was not maintained.
- E. Monies were not disbursed timely and remained in the Circuit Clerk's fee account.
- F. The Circuit Clerk's bank accounts were not adequately covered by collateral securities, and therefore, some monies were unsecured by various amounts during the audit period.

Recommendation:

The Circuit Clerk, District 2 (Hannibal):

- A. Deposit monies received intact daily or when accumulated receipts exceed \$100. In addition, receipts should be recorded daily.
- B. Ensure formal bank reconciliations are prepared on a monthly basis.
- C. Investigate all old outstanding checks and either reissue the check or consult with legal counsel as to the appropriate disposition. In the future, outstanding checks should be investigated and resolved on a periodic basis.

- D. Prepare accurate monthly listings of liabilities and reconcile the listings to book and bank balances.
- E. Ensure all cases are processed and monies are distributed on a timely basis.
- F. Ensure the depository bank pledges adequate securities at all times in accordance with state law.

Status:

A,B
&E. Implemented.

C,D
&F. Not implemented. See MAR finding number 12.

2. County Expenditures

Bids were not always solicited, nor was bid documentation always retained, for various purchases made by the county during the audit period.

Recommendation:

The County Commission solicit bids for all items in accordance with state law. Documentation of bids and the reasons for selecting other than the lowest bid should be retained by the County Clerk. If bids cannot be obtained and sole source procurement is necessary, the official minutes should reflect the necessitating circumstances.

Status:

Partially implemented. The county did not obtain bids for the purchases to prepare meals for the jail. Although not repeated in the current MAR, our recommendation remains as stated above.

3. Budgetary Practices

- A. Budgets were not prepared for some funds.
- B. The annual published financial statements of the county did not include the financial activity of some county funds as was required.
- C.1. For some funds budgeted expenditures significantly exceeded actual expenditures.
- C.2. Significant expenditure amounts were sometimes budgeted in broad categories with no detail provided.

Recommendation:

The County Commission:

- A. Ensure that budgets are prepared or obtained for all county funds in accordance with state law.
- B. Ensure financial information for all county funds is properly reported in the annual published financial statements.
- C. And County Clerk ensure budget documents are accurate and complete.

Status:

- A&B. Not implemented. See MAR finding numbers 1, 5, 7, 8, 16, 20, and 21.
- C. Partially implemented. See MAR finding number 1.

4. Collateral Securities

- A. The amount of collateral securities pledged by the county's depository banks in January 1999 and January 1998, was insufficient to cover monies in the custody of the County Treasurer and County Collector.
- B. The amount of collateral securities pledged by the Health Center Board's depository banks in February of 1998, was insufficient to cover monies in the Health Center account.

Recommendation:

- A. The County Commission ensure collateral securities pledged by the depository banks are sufficient to protect monies at all times.
- B. The health center Board of Trustees ensure collateral securities pledged by the depository banks are sufficient to protect monies at all times.

Status:

A&B. Implemented.

5. Prosecuting Attorney Rent

The county does not have a written agreement with the Prosecuting Attorney regarding the share of office expenses the county should pay.

Recommendation:

The County Commission establish a written agreement with the Prosecuting Attorney for the county's share of overhead costs (rent, utilities, etc.). In addition, the basis for the reimbursement rate should be documented and monitored.

Status:

Implemented.

6. Personnel Policies and Procedures

Compensatory time was accumulated for time worked in excess of eight hours per day even when 40 hours were not worked during the week.

Recommendation:

The County Commission review the policy and ensure compliance with the County Personnel Policies and Procedures Manual.

Status:

Not implemented. See MAR finding number 3.

7. Property Tax Books

The back tax books were prepared by the County Collector; however, no procedures were performed by the County Clerk to verify the accuracy of the back tax books.

Recommendation:

The County Clerk verify the totals of the back tax books for accuracy and document the procedures performed.

Status:

Implemented.

8. Emergency Telephone Service (E-911) Board

The E-911 Board paid a \$50 bonus to each employee for a total of \$1,100.

Recommendation:

The Emergency Telephone Service (E-911) Board discontinue the practice of paying employee bonuses.

Status:

Not implemented. See MAR finding number 21.

9. Associate Circuit Division, District 2 (Hannibal) Open Items

The December 31, 1998, and 1997 listings of open items exceeded the reconciled bank balance by \$2,793, and \$1,908, respectively. There was no indication that the open items listing was compared to the reconciled bank balance or that differences were investigated.

Recommendation:

The Associate Circuit Judge require a detailed monthly listing of open items be prepared on a timely basis and periodically reconciled to the cash balance. Any unidentified differences should be investigated and resolved on a timely basis.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and
Statistical Information

MARION COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1826, the county of Marion was named after Francis Marion of the Revolution. Marion County is a county-organized, third-class county and is part of the Tenth Judicial Circuit. The county seat is Palmyra.

Marion County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 500 miles of county roads and 96 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 28,638 in 1980 and 28,289 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 169.0	163.9	155.2	151.5	88.3	76.1
Personal property	92.6	88.4	80.8	73.5	24.8	13.6
Railroad and utilities	15.5	15.9	15.7	15.7	8.7	8.8
Total	\$ 277.1	268.2	251.7	240.7	121.8	98.5

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Marion County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$.0600	.0200	.0200	.0200
Special Road and Bridge Fund	.3200	.3100	.3000	.3000
Health Center Fund	.1500	.1500	.1500	.1500
Senate Bill 40 Board Fund	.1400	.1400	.1400	.1400

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
State of Missouri	84,851	81,214	78,016	75,221
General Revenue Fund	179,816	79,175	76,759	60,165
Special Road and Bridge Fund	866,989	805,623	749,660	719,174
Assessment Fund	140,395	130,808	125,203	119,997
Health Center Fund	401,900	384,681	369,181	355,250
Senate Bill 40 Board Fund	375,068	359,018	344,552	331,354
School districts	9,465,407	8,902,371	8,479,622	8,213,098
Ambulance district	765,573	612,703	587,432	567,112
Fire protection district	38,089	33,464	31,206	8,763
Nursing home	420,120	402,064	386,235	372,252
Water sheds	7,671	7,235	7,110	6,211
Drainage and levee districts	311,519	366,604	281,251	292,936
TIF refunds	230,635	68,342	64,938	105,448
Tax maintenance fund	9,157	0	0	0
Advertising and deeds	862	1,843	846	1,170
Cities	164,544	160,443	150,169	159,679
County Clerk	3,109	3,128	3,128	3,330
County Employees' Retirement	53,085	49,465	50,614	61,580
Commissions and fees:				
General Revenue Fund	332,735	308,423	295,896	291,295
Collector	8,635	8,563	11,206	8,126
Total	\$ 13,860,160	12,765,167	12,093,024	11,752,161

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	94	94	95	95 %
Personal property	95	95	95	94
Railroad and utilities	100	100	100	100

Marion County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Capital improvements	.0050	2003	None
Veterans road project	.0025	2002	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Lyndon Bode, Presiding Commissioner	\$	33,233	31,793	31,066	29,390
William Richmond, Associate Commissioner		30,513	29,492	27,390	27,390
Kenneth N. Meyers Sr., Associate Commissioner (1)		30,213	29,792	28,953	27,390
Robert J. Ravenscraft, County Clerk		47,323	45,140	43,867	41,500
Thomas P. Redington, Prosecuting Attorney		58,313	55,473	53,909	51,000
John E. Waldschlager, Sheriff		50,051	47,334		
Daniel Campbell, Sheriff				49,920	49,920
F. Jean Buckman, County Treasurer		35,019	33,404	32,462	30,710
Peggy Porter, County Coroner		15,624	14,406	10,000	9,600
Gayle Viorel, Public Administrator		44,850	42,704	42,873	50,746
Lee Viorel, County Collector (2), year ended February 28 (29),	56,098	54,123	55,073	43,241	
Carl Zupan, County Assessor (3), year ended August 31,		44,945	42,895	43,652	43,652
John D. Janes, County Surveyor (4)		191	0	0	0

- (1) Does not include \$1,020 from 2002 salary that was used to reimburse the county for overpayment of 2000 and 1999 salary.
- (2) Includes \$8,635, \$8,563, \$11,206 and \$8,126, respectively, of commissions earned for collecting drainage and levee district property taxes.
- (3) Includes \$900 annual compensation received from the state.
- (4) Compensation on a fee basis.

State-Paid Officials:

John E. Yancy, Circuit Clerk, Division I and Ex Officio Recorder of Deeds		53,378	53,378	52,145	50,109
Carolyn Conners, Circuit Clerk, Division II		53,378	53,378	52,145	50,109
John J. Jackson, Associate Circuit Judge		96,000	96,000	97,382	87,235

The County entered into a lease agreement with UMB Bank on September 15, 2001. The terms of the agreement called for the bank to issue bonds of \$880,000 to refund the series 1995 bonds used to construct the new jail and for the bank to lease the jail back to the county for the payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Sales Tax Fund from sales tax revenues. The bonds are scheduled to be paid off in December 2003. The remaining principal and interest due on the bonds at December 31, 2002, was \$375,000 and \$5,938 respectively.